

3 1761 11971115 8

CAI
Z 2
-GGF 35

Goveranmen
Publication



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761119711158>

CA172-66F35

October 23, 1966



CA1
Z2
-66F35

Statement by the Prime Minister for the
Federal-Provincial Meeting, October 24th,
1966.

The present series of meetings of the federal and provincial governments is among the most important that has occurred in Canada in recent years. The meeting of the Tax Structure Committee will provide the occasion for further discussion of proposals made to that Committee by the Minister of Finance on September 13th, 1966, which included a completely new plan for fiscal equalization and a suggested new approach to shared cost programs. When these proposals were put forward, it was said that they would be supplemented by arrangements with respect to the rapidly rising needs of the provinces in meeting the growing costs of higher education. For this reason, the first of our meetings this week concerns the financing of higher education, after which the Tax Structure Committee will reconvene to examine the fiscal situation as a whole. Final consideration of the entire position will then be undertaken by a plenary Federal-Provincial Conference on Thursday and Friday, October 27th and 28th.



CA1
Z 2
-66F35

The needs of higher education

The needs of Canada for highly qualified men and women, matched by the demands of Canadians for higher education and training, are creating an explosion of learning. Dramatic evidence of this can be seen in university enrolments. Ten years ago there were 78,500 full-time students in Canadian universities and colleges. Today that enrolment has almost trebled, to 234,000. Last year, when the Bladen Commission on "Financing Higher Education in Canada" reported to the Association of Universities and Colleges of Canada, it predicted that by 1970 full-time enrolment would reach 340,000 and five years later, 461,000. Already, however, these projections are believed to be low by about fifteen per cent and the most recent expectation is that full-time enrolment will double again by 1973, and in the following year exceed a half-million students. Today, among Canadians in the age group 18-24, one in ten is a full-time student at university; in ten years time the ratio is expected to be almost one in five.

The financial impact of this explosion on governments needs no elaboration. The dependence of universities on public funds has grown steadily over recent years, and will continue to grow. Moreover, if there is to be - as we all desire - equality of opportunity for Canadian youth, there must be increasing funds for student aid.

In regard to student aid the federal government remains committed to establishing a system of bursaries and scholarships after consultation with the provinces. The current talks are confined to ways and means of enabling the provinces better to meet their obligations for the construction and operation of post-secondary institutions. This is the first priority.

To all these mounting costs of university education must be added the requirements of other forms of post-secondary education - the technical institutes and training centres, and community colleges. We have also to take account of the increasingly urgent need for the re-training of adult workers to enable them to adapt to the new and unfamiliar demands of a rapidly developing industrial society. This conference cannot consider the needs of the universities alone. Technical and vocational training also imposes financial demands of great weight and urgency. For the past six years the federal government has responded to this demand through the federal-provincial agreements on technical and vocational training. These agreements expire next March 31st. We must consider not only the financing of higher education and the tax structure but also what future financial arrangements regarding training should be established in place of the present agreements.

Immense as are these financial demands of higher education, their claims on the resources of the country must be given a high priority. That each Canadian should have the opportunity of developing to the full extent of his capacity is not only an ideal; it is also, as the Economic Council of

Canada has reported so compellingly, a means of providing for its people the material prosperity and cultural enrichment that lie within our grasp.

The federal government and higher education

The establishment of satisfactory federal-provincial arrangements relating to higher education is particularly difficult. This problem involves many other issues that must be considered in achieving satisfactory relationships within Confederation generally.

Education is, under our constitution, a matter of provincial jurisdiction. The federal government does not dispute this or wish in any way to do so. At the same time, education is obviously a matter of profound importance to the economic and social growth of the country as a whole. This is particularly true of higher education. Apart altogether from the general interest in fostering equality of opportunity for Canadians wherever they may live or wherever they may be brought up, the federal government has specific and particular responsibilities to which higher education is relevant. While education itself is provincial, the federal government accepts primary responsibility for employment and economic activity generally in the country. We recognize that provincial governments share our concern in these matters and pursue these common aims in the conduct of their own affairs. It is, however, the responsibility of the federal government to devise and apply national policies and measures that are necessary to ensure that the economy of Canada will continue to expand and will become increasingly productive, in order that there may be full employment and an increasing level of prosperity for all our

citizens. The preparation of our young people for productive participation in the labour force of the country is a matter of vital concern to all Canadians. We have also to keep in mind that young people of a particular province do not necessarily receive their education and training in their home province, and that people, after graduation, do not necessarily live out their lives and take up employment in the province where they received their education. These facts affect the burden of costs that falls upon the different provinces.

Because of this broad interest in the adequacy of educational opportunity, the federal government is prepared to take action to help alleviate the financial difficulties that provinces may encounter in shouldering the burdens placed on them, especially by the increasing costs of an adequate standard of higher education. This does not mean that the federal government can or should impose on the provinces any views as to how much money should be spent for education or in what way it should be applied. Those are matters for provincial decision. The federal government wishes by its actions to recognize the needs and priorities of the provinces. It is for provincial governments to take the action that, within their fields of jurisdiction, they think most appropriate and desirable.

This latter point is of particular relevance to our conviction that the financing of universities and of other post-secondary institutions should be considered together. Under existing agreements, the federal government has borne 50 per cent of the operating costs of much of post-secondary technical and vocational education. Although the need for

further expansion of such institutions remains, there is a growing danger that federal cost-sharing in this field could distort the post-secondary educational structure. Under the present system, a province has a stronger incentive to establish and operate a post-secondary institution that can qualify under the training agreements, than it would have to provide additional university facilities for which there is no shared cost incentive.

The expiration of the training agreements provides an opportunity to remove this anomaly and to treat all post-secondary institutions alike. Technological institutes can be included with universities in determining the basis of the proposed new financial arrangements. As a consequence, the action of the federal government can be essentially neutral in its effect on the institutional structure of post-secondary education within any province.

Expiration of technical and vocational training agreements

Having said this, let me emphasize the importance of our past initiatives in the field of technical and vocational training. The technical and vocational training agreements that expire next year have been the instruments for bringing large federal financial resources into play to assist the provinces, especially for the building of vocational high schools. There seems to be little public awareness that, during the five complete fiscal years of the program to last March 31st, approximately \$400 millions was provided in federal contributions to the capital costs of vocational high schools. Another \$200 millions of federal grants was provided for the construction of trade schools, institutes of technology and similar training facilities.

Five years ago the building of more adequate facilities for technical and vocational training, especially at the high school level, was a priority need in the education systems of the provinces. In these circumstances there were strong desires for federal financial assistance, and much has been done, through the agreements, to help vitalize this area of education.

While continuing improvement is necessary, the rapid post-war growth in our population of secondary school age is now falling off. The emphasis of need is shifting. In any event, no one would contemplate that the federal government should become permanently involved, either directly or indirectly, in any form of secondary education which is the constitutional responsibility of the provinces. Furthermore, as provincial premiers and others have so often pointed out, any shared-cost program is almost certain to have some distorting effect, compared with the varying ways in which provinces would choose to arrange their priorities in the absence of federal financial incentives. Accordingly, we are not proposing that there should be new technical and vocational training agreements affecting the secondary school system. The existing agreements will lapse automatically next March 31st.

Nevertheless, we would not wish the change to be unnecessarily abrupt. Although the program will have been in existence for six years, differences in the educational structures and financial situations of the provinces have produced wide variations in the extent to which federal capital grants

have been used. The agreements provide for a federal contribution of 75 per cent of capital costs until a province has drawn grants equal to \$480 per capita of its 1961 population in the 15-19 age group. Last year, as part of our program to defer construction work, the federal government offered to continue this 75 per cent contribution beyond 1967, to give all provinces a chance to catch up to the \$480 per capita level. The provinces agreed. We must therefore keep this offer open until March 31st, 1970.

Even this lengthy transitional arrangement, however, may not be completely fair in all cases because of the wide variations between provinces. Some provinces have found it necessary to concentrate on making up grave deficiencies in their trade school facilities, and in consequence have so far taken little advantage of the program to improve their high school facilities. We propose therefore to offer a further phase-out arrangement. On March 31st next we will strike a figure for the national average of contributions, per capita of the population aged 15-19, made for vocational high schools. If a province reaches the \$480 per capita quota for capital grants of all kinds, but is still below the national per capita average in grants for high schools, we will be willing to make further contributions to vocational school construction costs at the 50 per cent sharing rate. This offer will remain open for a further three years -- that is, until March 31st, 1973 -- for any province that does not reach the national average before that date.

The exact effect of this phase-out will, of course, depend on the distribution and size of provincial expenditures. It is estimated, however, that for the next three years federal capital grants will continue to the extent of an average of about \$70 millions a year. For one year longer - that is, for 1970-71 - grants will continue at the much smaller but still appreciable rate of about \$35 millions. During the final two years they will fall to modest levels.

The federal contribution to the operating costs of vocational high schools has been limited to about \$3 millions a year and a phase-out hardly seems necessary. The grant will disappear next March 31st.

Federal Proposals

The federal government proposes to assist the provinces in financing the rising costs of post-secondary education - both operating and capital - by a special arrangement of fiscal transfers. The approach we are proposing rests on an awareness of the extraordinary financial requirements for higher education in the years ahead, together with a recognition of provincial jurisdiction over education. The arrangements proposed, therefore, are designed to take particular account of provincial financial needs for post-secondary education, but in a manner that manifestly exerts no influence on the structure and content of provincial programs for higher education and enables each provincial government to determine its own approach to post-secondary education generally.

In recognition of the fiscal needs of the provinces for post-secondary education, we would propose in effect to transfer to the provincial governments four percentage points of the personal income tax and one point of the corporation income tax. To make this tax transfer, the federal government will reduce its individual income tax by four per cent of the basic tax and its corporation income tax by one per cent of corporate profits, thus enabling the provinces to raise their taxes painlessly by corresponding amounts. The yield from these taxes would be equalized automatically to the national average yield under the general revenue equalization formula we have proposed. I feel bound to point out that the cost of this support for higher education must be carried by the taxpayers of Canada in one way or another - including the replacement of the revenue transferred.

We recognize that an equalized tax transfer meets a different proportion of the expenditure needs of each of the individual provinces for post-secondary education. This is because of differences in the levels of educational expenditures across Canada, and because of differences in tax yields even after equalization to the national average. Thus, a straight transfer of tax points would result in an unequal federal contribution toward the expenditure needs of the different provinces in this field. Therefore, the federal government is prepared to make additional equalization payments - that is, we are prepared to pay special program equalization payments in addition to the "revenue equalization" payments under the general equalization formula.

Our plan would call for some measure of the expenditure needs of the several provinces in the field of post-secondary education, with the federal government giving an undertaking that its total fiscal transfers would equal a certain proportion of these expenditure needs. Thus, if the needs of a particular province are calculated to equal a certain amount, the federal government would determine whether the value of the taxes transferred to it fell below the stated proportion. If it did, the tax transfer would be supplemented first by the general revenue equalization payment, where applicable, and then by the program equalization payment which would bring the total up to the pre-determined proportion of expenditure needs. This is a quite new approach to federal assistance to the provinces, and one which will require a good deal of careful thought and cooperative effort between the federal and provincial governments. There may be alternative suggestions as to how we can reach the desired goal. The appropriate place to consider them as well as the problems involved in our plan would be the Tax Structure Committee.

We would suggest that the expenditure needs of the provinces in the field of higher education would best be measured by totalling the operating expenditures of the post-secondary institutions in each province - that is, the expenditures of universities, technical institutes and other post-secondary schools or colleges that arise from the training of students who have their senior matriculation. The federal government would be prepared to recommend to Parliament that the equalized tax transfer of four personal income tax points and one corporation income tax point be augmented by unconditional program equalization payments which would bring the total compensation up to 50 per cent of the operating costs of post-secondary educational institutions in each province.

This fiscal transfer would be calculated in relation to operating costs in determining the amount, but would be regarded as being on account of both the operating and the capital expenditure needs of these educational bodies. We recognize that the capital costs of building and equipping universities and other institutes for higher education form a major part of the financial problem confronting the institutions and the provincial authorities. We have been unable however to get any reliable forecast of the magnitude of this part of the problem, nor to devise any equitable way of assisting with it that did not involve the federal authorities sharing in details of matters under provincial jurisdiction. Consequently we are proposing to deal with the capital costs by including a substantial amount in respect of operating costs, believing that this will work out effectively and fairly in the end.

We recognize that this way of measuring expenditure needs may not suit several of the provinces. Consequently, we are prepared to use as an optional measure of expenditure need the flat figure of \$14 per capita, which is roughly equal to 50 per cent of post-secondary operating expenditures over the country as a whole. This figure would be increased each year in proportion to the increase in post-secondary operating expenditures in Canada as a whole. Here, again, the federal government would be prepared to augment the equalized tax transfer by special program equalization payments which would bring the total compensation up to \$14 per capita in 1967-68, with this per capita figure being increased each year at the rate that post-secondary educational expenditures in Canada rise. Again here there may be alternative proposals from the provinces.

These arrangements would replace all of the present federal programs involving grants to or in respect of secondary and post-secondary education - the grants to universities, including the special arrangements with the Province of Quebec, and the operating and capital grants in respect of technical and vocational training. The proposal for phasing out capital grants for technical and vocational institutions, to which reference was made earlier, is, of course, unaffected by these general arrangements.

I am attaching a table which shows the estimated value of these proposals to each province, using the \$14 per capita as the measure of the financial needs of all provinces in the field of post-secondary education. In the absence of data on the current operating expenditures of post-secondary educational institutions, it is not possible to forecast the value to the provinces of the other measure of provincial financial needs in this field, namely, 50 per cent of post-secondary operating expenditures.

Several important features of our proposals will be evident from an inspection of the attached table. First, the cost to the federal treasury would rise in the first year by \$75 to \$100 million and in subsequent years there would be further substantial increases. Second, the use of university and other post-secondary operating expenditures as a measure of provincial expenditure needs in the field of education, will mean that the value of the federal financial transfers will rise as Canada's universities, colleges and technical institutes expand. Third, every province would stand to gain materially from these arrangements. Fourth, the value of the equalization payments, under this new form of federal fiscal

transfer to the provinces, increases the value of a straight tax transfer by \$61.5 million, \$21.7 million through the equalization of the personal and corporation income tax involved, and \$39.8 million through the program equalization payments.

Finally, I should like to note that these proposals more than meet the Bladen Commission recommendations as to the amount which the federal government should contribute in respect of university education. The request of the universities of Canada, arising from the Bladen Report, was that federal fiscal contributions should amount to 30 per cent of university operating expenditures plus an annual contribution of \$5 per capita in respect of university capital expenditures. From the data currently available it seems that \$5 per capita is the equivalent of about 20 per cent of university operating expenditures. What the Bladen Commission was recommending, then, was that federal contributions in respect of university education should be the equivalent of about 30 per cent of the operating expenditures of universities, for operating purposes, and 20 per cent of operating expenditures for capital purposes, except that the 20 per cent in respect of capital expenditures would not rise as the operating expenditures of universities rose. The federal government's proposals are based upon 50 per cent of post-secondary operating expenditures, with the provision that the whole amount will increase as the operating expenditures of universities and other post-secondary institutions rise.

These proposals are an improvement on the present arrangements. They are fully consistent with Canada's Constitution while meeting the claims of the provinces for greater financial resources to meet rising provincial expenditures, in particular those on education. The federal government's fiscal transfer

is made unconditionally, but will assist the provinces to discharge their increased responsibilities in respect of post-secondary education. It will rise automatically as the needs increase.

The federal government's proposals also eliminate any distinction between university and post-secondary technical or vocational training; indeed they eliminate any bias, arising from federal fiscal contributions, in favour of any particular pattern of institutional development in any province. There will be some, of course, who would have preferred the federal government to make grants directly to the universities and technical institutes. However, constitutional and other objections have been raised to this procedure which has never in fact been applied uniformly. Moreover, the flow of federal funds directly to the universities has not altered and cannot alter the fact that virtually every additional dollar the universities get, under current financial arrangements, must come either from student fees or from provincial governments. The proposals for new arrangements, unlike the present arrangement, would provide for an automatic increase in the federal fiscal transfer to the provinces as university expenditures rise, thus enabling the provinces more adequately to discharge their responsibilities in respect of university and other post-secondary education.

As to the relationship between universities and provincial governments, our new proposals may have important implications for some institutions. This is not a matter in which the federal government can properly interfere, but we are confident of the ability of the universities and the provinces to develop - as indeed, they are already doing - mutually satisfactory institutional arrangements. In our calculations, which form the basis of the federal fiscal transfer, we will include the operating expenditures of all the universities.

In devising these proposals, we have adhered to the underlying approach to federal-provincial relations outlined to the meeting in September of the Tax Structure Committee:

"We must somehow fashion machinery which will permit a strong Federal Government to accomplish the economic and social responsibilities which properly belong to it, but without impairing the fiscal freedom and responsibility of the provinces. We must on the other hand fashion machinery which will strengthen the ability of the provinces to provide the greatly expanded and improved public services which are expected of them, but without at the same time hobbling the Federal Government or forcing it to have different laws for different parts of Canada - differences which might have the effect of obscuring or weakening its proper rôle as a government which governs all Canadians and protects equally the interests of all of them."

There will, of course, be many technical problems to be overcome in implementing these proposals. I would hope that the federal and provincial governments would be able to work out together a definition of post-secondary operating expenditures. Under our proposal these expenditures are meant to include the instructional costs incurred in the education of students beyond the senior matriculation standard. It will be necessary to arrive at a definition of instructional costs and to resolve the difficulties in identifying those students who have

completed their senior matriculation. Further, it will be necessary to integrate these proposals with the new fiscal arrangements that are being considered now by the Tax Structure Committee, and which we as Prime Ministers and Premiers will be discussing toward the end of this week. For example, there will be some adjustments in the tax abatements for the Province of Quebec, as well as a general increase in the level of abatements for other provinces. Technical problems will no doubt be discussed in the Tax Structure Committee.

Adult Training

The federal government recognizes that education is and must remain within provincial jurisdiction. Certain interpretations have been placed on the scope and meaning of the word "education" which in our view are not valid. Specifically, the federal government believes that the training and re-training of adults for participation in the labour force are well within the scope of federal jurisdiction. They are manifestations of the federal government's responsibility for national economic development. Once the normal process of education for an individual has been completed and that individual is established in the labour force, measures of training thereafter to fit him to the constantly changing requirements of a rapidly changing technological world are not "education" in the constitutional sense. They are measures designed to ensure the maximum possibility of effective participation in production. They are measures to reduce unemployment; to increase the productivity and earnings of Canadian workers; and to maintain and improve the competitive

position of Canada in relation to other countries. In short, the federal government believes that it has a constitutional and necessary rôle in the training and development of our adult labour force for economic growth and full employment.

There is a pressing need for greater impetus in adult training. As the Economic Council of Canada has observed, the training and re-training of existing members of the labour force has lagged behind the expansion of vocational secondary schools, and it will take decades to raise the level of skills in the total labour force if training is very largely limited to younger persons.

We are acutely aware of the employment difficulties of men in their forties and fifties who have little formal schooling and no advanced technical skills and are not in a position to respond to the opportunities of an increasingly urban and industrial society. We believe, moreover, that adult training and re-training will remain a continuing need, even for the new generation of Canadians who are benefitting from the expansion of secondary training. Knowledge is now accumulating so fast, technology is advancing so rapidly, occupations are changing so much, that in training - as in many other matters - we can expect to keep up only if we run faster and faster. We are going to have to recognize that it will be increasingly rare for people to leave school, or university, with all of the formal training they are going to need for their lifetimes. We must accept it as a perfectly normal part of working life that people should require periods of organized re-training in order to stay abreast of the rapidly changing needs and opportunities that technology now produces.

This is becoming well recognized. But our institutions and our programs have been slow to adjust to the problem.

Many adults who are under-employed or unproductively employed do not understand the need for training or do not feel able to cope with it. Ways must be found of winning their acceptance of training and providing training that will effectively up-grade their skills.

The need is obvious. The first problem about adult training is to convert that need into an effective demand. How is training to be paid for? The worker who most needs it has a family to support. He cannot finance himself. Industry as a whole has the strongest possible interest in raising levels of skill. But this does not always come home to the individual company. The employer provides, of course, for the learning of a specific job, on the job. But general training improves the worker's capacity for employment in other plants besides that of his present employer. The company that provides such training most effectively may well have the people who benefit attracted away. Training expenditures that would be highly economic for industry as a whole are therefore liable to be quite uneconomic for the individual company.

The rôle of government in this situation is clear. It has to act as, in effect, the purchaser of training for adults. It must make adequate training financially possible for the worker and the company. This is a role that the federal government must accept in order to discharge, in the conditions of today, its responsibility for promoting economic growth and full employment in Canada as a whole.

The federal government recognizes this responsibility. We propose to change the emphasis of our policy for training in a way that accords with the national economic priorities which are the inescapable concern of the federal government. That is to say, we propose to clarify our purposes and expand our activities in adult training, in place of our support for school building which has characterized the existing agreements but will now be phased-out.

The problems of adult training are very different, in scope and in nature, from the problems of educating youth. The shift of emphasis therefore involves proposals for a series of measures markedly different from the shared-cost programs operated under the present agreements.

An important step in the new direction was taken earlier this year in the Training Allowances Act. This involves our paying the full cost of a basic training allowance of \$35 a week. We also reimburse the provinces for 90 per cent of the cost of additional allowances up to a maximum total allowance of \$90 a week. The practical effect is that the federal treasury is now committed to paying about 97 per cent of all the sums expended in training allowances.

We propose, from April 1st next year, to carry this measure to its logical conclusion. The federal government will accept full responsibility for all allowances which are necessary in order that adults may take the full-time training required for employment. We will pay the allowances in full, and directly to the people eligible for them.

In doing so, we of course recognize that certain safeguards, provided under the present system, must be maintained. We will ensure, in agreement with provincial governments, that training allowances are not out of line with local wage levels.

At present, in order to be eligible for training allowances, it is generally necessary to have been unemployed before beginning training and also to have been out of school for at least twelve months. The first restriction is neither desirable in principle nor meaningful in practice. It will be eliminated. The second restriction is necessary in order that adult training allowances should not become an indirect way of financing continuing education. Indeed, we think it important that this distinction be strengthened. An adult, eligible for training allowances, will therefore be defined as someone who for at least three years has been out of the school system and attached to the labour force. In detail, it will be necessary to provide for some special groups, but the definitions will ensure that training allowances are paid only to people who must have a replacement of previous income in order to be able to undertake further training needed for employment.

It is not enough, however, to provide this income. The training has to be paid for. The federal government at present shares costs with the provinces, to the extent of 75 per cent for the main program and 50 per cent for others. This is clumsy in administration and has a good many distorting

side effects. From next April 1st, we will be prepared to pay provinces in full for the costs of employment-oriented training provided to adults. In computing costs, we will be prepared to include an appropriate proportion of a long-term amortization of capital cost of the facilities in which the training is provided. This does not, of course, provide provinces with the capital needed to construct such facilities. The federal government will, however, be willing to make loans for this purpose, at a normal interest rate, to provinces which so wish. The amount of the loan, in respect of any building, will of course depend on the extent to which it is planned to provide courses for adults.

Provincial governments undoubtedly will play the principal part in providing adult training courses. There is also, however, a great deal of training that could be provided most effectively in industry. The incentive for the individual worker is often stronger, because he has continuity of employment and does not forego seniority and pension rights. In some cases, the training can also be provided more economically. We cannot, however, expect any great development of general training within industry, of the kind that is not specific to a particular job in a particular plant, unless the company is reimbursed for most of the cost. We will be prepared to pay 100 per cent of the out-of-pocket costs of firms providing such training programs, including an appropriate proportion of the training allowances that would be available to the workers for training in public institutions.

This proposal does not include the kind of on-the-job training which any company has to give to new employees and which must be considered a necessary cost of doing business. There is, however, one special situation in which it will be appropriate to contribute to the costs of on-the-job as well as general training in industry. This is where existing employees are losing their present jobs through technological change. The cheapest course for the company may be to train new, younger workers for the new jobs. But it may be much more in the public interest that the displaced workers should be re-trained in the plant. Accordingly, where a company satisfies our manpower consultative service that the need arises from a major technological change, we will treat on-the-job re-training on the same terms as generalized training in industry.

We believe that this is an important and constructive initiative to help meet the human problems of automation. It should in time develop into a major reassurance to the increasing number of workers who can be adversely affected by technological progress.

Finally, I should mention that there may be a few cases in which appropriate training courses are provided neither by the province nor within industry, but by fee-charging institutions of one kind or another. Where this is the effective way to enable a person to become employable, in a job appropriate to his talents, we will be prepared to pay such fees. I should emphasize, however, that we will be concerned only with training for adults who will be active members of the labour force, training that is employment-oriented, and the kind of training that is provided in courses of not more than twelve months' duration.

This is a wide-ranging program, and provincial governments will no doubt wish to consider and discuss its implications. We believe that it offers an effective way of discharging the federal government's responsibility for the manpower development necessary to full employment and economic growth. It does so by a clear definition of the federal role that should, we believe, end the confusion of policy and action that has sometimes resulted from the federal government's financial involvement in the exclusively provincial field of education.

The Minister of Manpower and Immigration will, of course, be eager to discuss this program with provincial governments during the present conference and no doubt in more detail at subsequent meetings at the ministerial or official level.

Mutual Respect and Equality Within the Canadian Federation

The proposals of the federal government with regard to education, as well as the fiscal proposals outlined by the Minister of Finance on September 13th, are based squarely on the government's concept of the principles that should apply to the operation of our federation within our constitution. Among the six basic principles enunciated by the Minister I wish particularly to refer to the third:

"The fiscal arrangements should, through a system of equalization grants, enable each province to provide an adequate level of public services without resort to rates of taxation substantially higher than those of other provinces".

The proposals we have made, based on our appreciation of the needs imposed on the provinces by their responsibility for education carry one stage further the principle underlying the concept of equalization. The provision of a basic "economic equality" for the provinces, together with equality of educational and employment opportunity for all Canadians is, in my judgment, one of the most important and beneficial goals of our confederation. To help achieve it is one of the most vital services the federal government can provide to the people of our country.

If our federation is to operate successfully it must be based on full respect for the provincial fields of jurisdiction. It must also be based on a full respect for the federal fields. If "interference" is intolerable in the one direction, it is equally so in the other. If consultation is required on one side, it is required on both sides. It is our intention to work steadily and hopefully toward a situation in which a scrupulous respect by each level of government for the rights and obligations of the other will be productive, not of friction or of division, but of co-operation and cohesion.

There are bound to be differences of view in a federation as to precisely where the respective areas of jurisdiction begin and end. This has always been the case, everywhere. In relation to "education" in Canada it has been suggested that the provincial jurisdiction over it excludes any federal activity in the realm of cultural affairs. The federal government believes such a definition is not valid. The culture of Canadians, as of the citizens of any country, depends on many factors apart from the educational system. The federal government has long been active in the field of

culture through the National Gallery, the Canada Council, the Canadian Broadcasting Corporation, the National Film Board and other agencies. It cannot accept any proposition that would mean, in effect, that the sponsorship and assistance of symphony orchestras or the encouragement of the visual arts is "education". Nor can "education" be taken to mean that assistance for theatres in which the dramatic arts can be portrayed for the enjoyment of the Canadian people is a facet of the school system and therefore excluded from federal support. Education is one of a number of formative processes through which culture emerges. But culture as such should be of interest to every level of government and the monopoly of none.

Nor does the federal government agree that it is precluded from concerning itself with research by reason of the provincial responsibility for "education", or alternatively that it must limit its support according to subject matter in relation to areas of federal and provincial jurisdiction. In our view research, as the means by which we expand the frontier of knowledge, is today one of the most important factors in the economic and social growth of any modern political society. The restriction of federal aid to research to subject matters that are within federal legislative jurisdiction would frustrate the purposes of the scientific spirit.

If this country is to have an active and vigorous research program which will redound to the advantage of all its citizens and add effectively to our fund of knowledge, governments at any level must feel free to sponsor and support research of any kind without being limited by conceivable legal

classifications of its results or its end use. Failure by the federal government to play its full share in such a national task could only mean that Canada's ability to take part in the undertakings of today which are shaping the world of tomorrow would be seriously impaired.

Finally I wish to refer to views that have been expressed concerning the exercise of the federal spending power to assist Canadians in their personal acquisition of knowledge. The federal government believes that much of the argument over the spending power generally does not relate to constitutional law but to wise and desirable practice having regard for the spirit underlying our constitution. The argument also relates to the possibility of distortion of programs or policies of the provinces, within their areas of jurisdiction by reason of federal expenditures. However, the federal government does not agree that it is in any way contrary to the spirit, let alone to the law, of our constitution nor is it necessarily any threat to provincial policies with regard to education for it to make payments to Canadian citizens through scholarships or bursaries. These are simply to assist people either in carrying out research or in acquiring post-graduate knowledge in the fields of the arts, the sciences, or in the pursuit of certain specialized subjects such as language training or teaching, or merely through attendance as students at an institution of higher learning. The federal government has awarded scholarships of various kinds for many years to Canadians from every part of the country. We hope to continue to do so in cooperation with the provinces.

Such payments to individuals for their personal advancement and improvement are, in our view, a part of the equalization of opportunity that is so central a feature of the federal purpose.

From what I have said it is clear that a common factor in the approach of the federal government to its role in our federal system in the areas to which I have referred and in its attitude toward the successful operation of our system, is an emphasis on "equality". It applies to our proposals for fiscal equalization generally and to the special proposals to ensure equal access to education and equal personal opportunity for all our citizens in the rapidly changing and highly technical economy we have developed. In the same realm of "equality", the federal government has a basic obligation within its constitutional jurisdiction to remove any differences of treatment that cause inequality between the people speaking the two languages constitutionally recognized in this country.

"Equality" can lend itself to differences of definition and interpretation, whether it is applied to areas of culture, of economics or of the law and the constitution. While there can be differences of definition and of judgment as to the extent to which there is inequality, it must be clear beyond doubt that, so far as the federal government is concerned, its objective is to see that not only is equality real within this country, but the sense of its reality is brought home with conviction and confidence to all our citizens everywhere. Only through action at all levels of government - and in the economic field through action outside the realm of government - can equality be made a living fact. If, through this conference,

through the arrangements for a fair and equal fiscal opportunity, through measures that will contribute to equality of access to education and economic opportunity, we provide a new foundation on which the capacity for cooperation and the structure of a more general equality can be laid, we shall have contributed greatly to the fruitful development of a confederation that has stood severe tests through nearly a century and will, I believe continue in the years ahead to provide significant advantages to all Canadian people, whatever their race, their origin, their language or their traditions.

ILLUSTRATION OF PROPOSED FISCAL TRANSFERS TO THE PROVINCES TO ASSIST IN MEETING
 RISING POST-SECONDARY EDUCATION OPERATING AND CAPITAL COSTS

Based on Projections for 1967-68
 (\$000)

Fiscal Transfers to the Provinces

Province	Value of 4 Points Individual Income Tax Equalized (a)	Value of 1 Point Corporation Income Tax Equalized (a)	Total Value of Tax Transfers	Special Programme Equalization to bring the Value of Tax Transfers (Column 3) up to \$14 per Capita	Total Value of Fiscal Transfers	Grand Total: Tax Transfers and Equalization Payments Plus "Phase Out" of Vocational Capital Grants (c)
	(1)	(2)	3 = (1+2)	(4)	(5)	(6)
Newfoundland	4,196	1,501	5,697	1,513	7,210	7,610
Prince Edward Island	904	323	1,227	327	1,554	2,354
Nova Scotia	6,256	2,238	8,494	2,258	10,752	16,752
New Brunswick	5,168	1,847	7,015	1,861	8,876	10,876
Quebec	47,756	17,077	64,833	17,221	82,054	127,054
Ontario	74,852	25,730	100,582	-	100,582	100,582
Manitoba	7,912	2,829	10,741	2,853	13,594	18,594
Saskatchewan	5,404	1,750	7,154	6,356	13,510	20,510
Alberta	11,236	4,230	15,466	5,492	20,958	20,958
British Columbia	18,172	6,630	24,802	1,882	26,684	34,684
Totals	181,356	64,155	246,011	39,763	285,774 (b)	359,974

Present arrangements provide for university grants of \$5 per capita, and for the sharing of most provincial expenditures, both operating and capital, on technical and vocational training. The cost of these programmes is estimated at \$ 270 million for 1966-67, excluding the amount attributable to adult training. The cost of these arrangements, if they were applicable in 1967-68, would be approximately the same, again excluding the amount attributable to adult training.

- (a) The revenues accruing to the provinces from these additional tax abatements will be included automatically in the proposed general equalization formula. This formula provides for the equalization of all provincial revenues to the national average.
- (b) Complete estimates of post-secondary operating expenditures are not available. However 50% of such expenditures is thought to amount to a figure approaching \$300 million.
- (c) These totals do not include certain savings that will accrue to each province due to the proposed Adult Training Programme of the Department of Manpower and Immigration. The totals do include estimates of the amounts required in 1967-68 under the "phase-out" (over a few years) of the Technical and Vocational Training programme as outlined in the Prime Minister's statement.

